

Message Text

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EXIMBANK

DRAFTED BY XMB: T.P. DOUGHTY/AA
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FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES

UNCLAS STATE 116478

ATTENTION: PETER JONES

E.O. 11652: N/A

TAGS: EGEN

SUBJECT: VISIT TO EXIMBANK BY FERROCARRILES ARGENTINOS
EXECUTIVES

REFERENCE: BUENOS AIRES UNCLASSIFIED 2968

1. GEN. CABALLERO, PRESIDENT FERROCARRILES ARGENTINOS,
IN COMPANY OF OTHER FA OFFICERS AND REPRESENTATIVES OF
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GENERAL MOTORS ELECTRO-MOTIVE DIVISION, INCLUDING LEMA,
GM ARGENTINE REPRESENTATIVE, WHO SERVED AS PRINCIPAL IN-
TERPRETER, VISITED EXIMBANK ON APRIL 25, 1977. WHILE
FA MADE EXCELLENT PRESENTATION OF CURRENT STATUS OF GM/FA
LOCOMOTIVE COMPONENTS AND PARTS CONTRACT AND PROGRAM FOR
ASSEMBLY IN ARGENTINA, AND INCLUDED APPROACH TO EXIMBANK
TO ASSIST IN FINANCING ABOUT DOLLARS 15.7 MILLION OF
COSTS ESCALATION FOR COMPONENTS AND PARTS UNDER GM
PROGRAM AND DOLLARS 56 MILLION OF COMPONENTS AND PARTS FOR

REBUILDING OTHER LOCOMOTIVES OVER FOUR-YEAR PERIOD, FA'S PRESENTATION WAS CONFINED ENTIRELY TO REQUIREMENTS FOR TRACTION FLEET, AND OMITTED FA'S REQUIREMENTS FOR OTHER ASPECTS OF ITS OPERATIONS. FOR EXAMPLE, NO MENTION WAS MADE BY FA OF REQUIREMENTS FOR TRACK MAINTENANCE, GRADING, AND LEVELLING OR FOR SIGNAL EQUIPMENT, MATTERS ON

WHICH EXIM HAS BEEN APPROACHED DIRECTLY BY SUPPLIERS FOR FINANCING. EXIM'S EFFORTS TO DEVELOP INFORMATION ON THESE MATTERS AND IN THE DIRECTION OF ASCERTAINING AN OVERALL REHABILITATION PROGRAM ELICITED VAGUE OR INDIFFERENT RESPONSES.

2. THE TRACTION FLEET, I.E., LOCOMOTIVES, REQUIREMENT HAS A RELATIVELY LARGE TICKET, DOLLARS 71.7 MILLION. AT PRESENT EXIM'S STAFF BELIEVES THAT FA'S TENTATIVE SCHEDULE FOR ACQUISITION OF COMPONENTS AND PARTS IS TOO LARGE A BITE FOR FA'S CAPACITY TO CHEW IN THE INDICATED TIME. IN SHORT, THE PRESENT MAY BE TOO EARLY FOR EXIM TO ADDRESS ITSELF TO AN INCREASE IN THE EXISTING CREDIT TO FA FOR FINANCING COSTS ESCALATION IN THE GM CONTRACT. THERE IS A CONSIDERABLE UNDISBURSED BALANCE IN THAT CREDIT THAT CAN BE UTILIZED UNTIL SEPTEMBER 1978. EXIM BELIEVES THE REQUEST TO INCREASE THE AMOUNT OF THE CREDIT SHOULD BE DEFERRED UNTIL FA IS FURTHER DOWN THE ROAD IN THE COMPONENTS ASSEMBLY PROGRAM AND HAS DEMONSTRATED THE ABILITY TO GO FORWARD WITH THAT PROGRAM.

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3. AS FOR THE REQUEST FOR FINANCING DOLLARS 56 MILLION OF LOCOMOTIVE COMPONENTS AND PARTS, THIS PROGRAM WHICH PROBABLY INCLUDES REHABILITATION OF GE AND ALCO LOCOMOTIVES, IS AMORPHOUS AND THE AMOUNT IS MUCH LARGER THAN EXIM HAD EXPECTED. FOR EXAMPLE, FA SCHEDULES ACQUISITION OF DOLLARS 21 MILLION IN EACH YEAR, 1978 AND 1979, WITH SMALLER AMOUNT ANNUALLY AFTER 1979. BUT THE SCHEDULES DO NOT RELATE THE ACQUISITIONS TO PARTICULAR LOCOMOTIVES OR OTHERWISE DEMONSTRATE VERY CLEARLY FA'S CAPACITY TO USE THE COMPONENTS ON THE INDICATED SCHEDULES. WHAT FA COULD REASONABLY EXPECT TO DO IN, SAY TWO YEARS, SEEMS TO EXIM TO BE A MORE RATIONAL APPROACH.

4. HOWEVER GOOD EXIM'S INTENTIONS TOWARD ASSISTING FA IN A REHABILITATION PROGRAM, EXIM DOES NOT NOW HAVE THE DIMENSIONS OF SUCH A PROGRAM. IF FA PURSUES A TRACTION FLEET PROGRAM OF DOLLARS 71.7 MILLION, AND EXIM MUST AT THE SAME TIME BE RESPONSIVE TO SUPPLIER REQUESTS FOR ASSISTING IN FINANCING SUCH NON-TRACTION FLEET ELEMENTS AS EQUIPMENT FOR SIGNALING AND TRACK MAINTENANCE, THERE

IS THE LIKELIHOOD THAT EXIM WILL BE COMPELLED TO SAY TO FA AND THE SUPPLIERS THAT THE OVERALL PRICE TAG IS MORE THAN EXIM IS PREPARED TO DO AT PRESENT FOR ONE SECTOR OF THE ECONOMY.

5. GEN, CABALLERO AND HIS ASSOCIATES WERE TOLD IN THE APRIL 25 MEETING THAT NEITHER THE TRACTION FLEET PROGRAM NOR FA'S REQUIREMENTS FOR OTHER ASPECTS OF A REHABILITATION PROGRAM WAS SUFFICIENTLY REFINED FOR EXIM TO BE RESPONSIVE TO EITHER FA'S REQUEST FOR ASSISTANCE IN FINANCING THE TRACTION FLEET OR REQUESTS FROM SUPPLIERS TO ASSIST IN FINANCING OTHER REQUIREMENTS. SINCE EXIM WAS NOT CERTAIN THAT CABALLERO COMPREHENDED CLEARLY EXIM'S CONCERN, THAT CONCERN HAS BEEN EXPRESSED BY EXIM TO IAREZZA, FINANCIAL REPRESENTATIVE AT ARGENTINA'S EMBASSY
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HERE, AND DETAILED TO DAVID WOODRICH, GM ELECTRO-MOTIVE DIVISION, LA GRANGE, ILLINOIS, WHO EXPECTED TO BE IN BUENOS AIRES AROUND THE THIRD WEEK IN MAY, AT WHICH TIME HE WILL MEET WITH FA. (IN MEETING WITH EXIM, CABALLERO READILY AGREED TO EXIM COMMUNICATING THROUGH GM ON ANY ASPECT OF FA'S APPROACH TO EXIM. THE TECHNICAL COMPETENCE OF GM TO COMMUNICATE EXIM'S CONCERN, INCLUDING DEFINITION AND DELINEATION OF TRACTION FLEET REQUIREMENTS AS WELL AS REQUIREMENTS OF FA'S OVERALL REHABILITATION PROGRAM CAN BE VERY HELPFUL.)

6. DURING MEETING CABALLERO HANDED EXIM A COPY OF A LETTER OF APRIL 19, 1977, ADDRESSED TO HIM FROM SECRETARY OF STATE FOR TRANSPORT AND PUBLIC WORKS AUTHORIZING CABALLERO TO NEGOTIATE WITH EXIM ON FINANCING OF THE TRACTION FLEET. SINCE LETTER IS SPECIFIC IT CREATES AN INFERENCE BY EXIM THAT FA HAD NOT BEEN AUTHORIZED BY THE SECRETARY TO DISCUSS FINANCING FOR ANY OTHER ASPECTS OF AN OVERALL REHABILITATION PROGRAM OR THAT NO SUCH PROGRAM EXISTS.

7. EXIMBANK HAS NO OBJECTION TO EMBASSY REITERATING BANK'S CONCERN TO CABALLERO AND FA OFFICERS. FOR PRESENT EXIM IS DEFERRING RESPONSE TO REQUESTS OF SUPPLIERS FOR FINANCING SALES OF ANY EQUIPMENT TO FA, EXPLAINING THAT FA'S REQUIREMENTS ARE PROBABLY MANIFOLD AND THAT EXIM WANTS TO KNOW THESE REQUIREMENTS BEFORE MAKING COMMITMENTS WHICH COULD BE ON PIECEMEAL BASIS THAT COULD RESULT IN HAPHAZARD DEVELOPMENT OF PROGRAM FOR RAILWAYS REHABILITATION AND POSSIBLY PREJUDICING CONSIDERATION OF MORE ORDERLY PROGRAM. MOREOVER, EXIM MUST HAVE SOME IDEA OF WHAT IS A REASONABLE EXPECTATION OF FA IF EXIM IS TO BE ABLE TO DETERMINE WHAT ASSISTANCE CAN BE PROVIDED FOR

OTHER SECTORS SUCH AS ELECTRIC POWER, STEEL, ETC. CHRISTOPHER

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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